

Message Text

CONFIDENTIAL

PAGE 01 ABU DH 00891 021107Z
ACTION NEA-10

INFO OCT-01 EUR-12 ISO-00 SOE-02 AID-05 CEA-01 CIAE-00
COME-00 DODE-00 EB-08 DOE-15 H-01 INR-10 INT-05
L-03 NSAE-00 NSC-05 OMB-01 PM-05 ICA-11 OES-07
SP-02 SS-15 STR-07 TRSE-00 ACDA-12 PA-01 /139 W
-----081425 021110Z /20

P R 020810Z APR 78
FM AMEMBASSY ABU DHABI
TO SECSTATE WASHDC PRIORITY 7609
INFO AMEMBASSY TEHRAN
AMEMBASSY DOHA
AMEMBASSY JIDDA
AMEMBASSY MANAMA
AMEMBASSY MUSCAT
AMEMBASSY LONDON

C O N F I D E N T I A L 0891

E.O. 11652: GDS
TAGS: ENRG, EINV, TC, IR
SUBJ: TAX AND ROYALTY PROBLEM FOR CRESCENT PETROLEUM

REFS: (A) ABU DHABI 747, (B) STATE 76443, (C) TEHRAN 3024

1. MANAGING DIRECTOR OF CRESCENT PETROLEUM, HAMID JAAFAR, CALLED ON AMBASSADOR APRIL 1 TO REPORT THAT CRESCENT HAD SUBMITTED LETTER TO RULER OF SHARJAH, SHAIKH SULTAN, REQUESTING ARBITRATION. TEXT TRANSMITTED SEPTEL. JAAFAR SAID LETTER, DATED MARCH 22, 1978, WAS DELIVERED TO RULER ON MARCH 29 BY KERMIT ROOSEVELT AND C. NORTHCUTT ELY (LATTER HAD BEEN BUTTES LAWYER FOR MANY YEARS AND FULLYCONVERSANT WITH LEGAL HISTORY OF THIS CON-CESSION). BOTH ARE KNOWN TO SHAIKH SULTAN AND JAAFAR SAID RULER APPRECIATED GESTURE THAT THEY HAD DELIVERED LETTER TO HIM PERSONALLY RATHER THAN HAVE IT DELIVERED THROUGH THE MAIL. ELY AND ROOSEVELT DEPARTED MARCH 31. NEITHER PLAN TO VISIT IRAN ON THIS TRIP.

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 ABU DH 00891 021107Z

2. ALTHOUGH SHAIKH SULTAN HAD ANTICIPATED THAT CRESCENT MIGHT REFUSE THE TERMS SPELLED OUT IN THE LETTER OF FEB. 25, JAAFAR THOUGHT THAT RULER WAS BIT TAKEN ABACK BY CRESCENT DETERMINATION TO SEEK ARBITRATION AND NAME ITS OWN ARBITER UNDER ARTICLE 34 OF SHARJAH-BUTTES AGREEMENT. SHAIKH SULTAN'S IMMEDIATE REACTION WAS TO BEGIN TO BACK OFF. HE COMPLAINED THAT HE HAD GIVEN CRESCENT

A CHANCE PREVIOUSLY TO ACCEPT A CERTAIN PROPOSAL BUT COMPANY HAD DRAGGED ITS FEET, A STATEMENT WHICH JAAFAR SAID HE HAD TAKEN STRONG EXCEPTION TO. SHAIKH SULTAN THEN SAID THAT HE HAD TAKEN POSITION HE DID BECAUSE HE HAD NOT REALLY KNOWN WHAT CRESCENT'S FINAL POSITION WOULD BE WHILE HE WAS BEING PUCHED HARD BY NIOC. HE WONDERED IF SOMETHING ELSE MIGHT BE WORKED OUT, ASKING WHETHER CRESCENT COULD ACCEPT CHANGING DATE OF RETROACTIVITY FROM JULY 1, 1976 TO JULY 1, 1977, OR ABOUT TIME HE HAD FIRST BROACHED NEW TAX AND ROYALTY REQUEST TO CRESCENT.

3. JAAFAR SAID THAT AT SHAIKH SULTAN'S REQUEST, THIS PROPOSAL WAS DISCUSSED OVER THE PHONE WITH JOHN BORETA, PRESIDENT OF BUTTES WITH BORETA ASKED TO RESPOND BY MORNING OF MARCH 30. AFTER CONTACTING ALL SHAREHOLDERS, BORETA HAD CALLED SHAIKH SULTAN ON MARCH 30 TO INFORM HIM THAT THESE TERMS WERE STILL DIFFICULT. HOWEVER, RECOGNIZING THAT RULER COULD NOT EASILY REVERSE HIMSELF, BORETA VOLUNTEERED THAT NEW TAX AND ROYALTY TERMS MIGHT BE ACCEPTABLE IF MADE RETROACTIVE ONLY TO JAN. 1, 1978. ALTERNATIVELY, THERE MIGHT BE AN EARLIER AND MORE RAPID DEPRECIATION SCHEDULE. SHAIKH SULTAN BY THIS TIME HAD HAD OPPORTUNITY TO CONSULT HIS OWN ADVISERS. HIS REACTION, THEREFORE, WAS THAT HE WOULD WANT TO THINK ABOUT BORETA'S COUNTERPROPOSALS.

4. JAAFAR SAID THAT HE HAD SINCE LEARNED THAT TEXT OF CRESCENT LETTER HAD BEEN SENT TO NIOC FOR ITS REACTION.
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 ABU DH 00891 021107Z

ALSO, BY COINCIDENCE, MR. KHALILI OF NIOC HAD ARRIVED IN SHARJAH ON MARCH 28 ALONG WITH A MR. FARID, AN NIOC EXPLORATION OFFICIAL, BOTH REPORTEDLY HAD BEEN APPRISED OF THE LETTER AND OF CRESCENT'S REQUEST FOR ARBITRATION BY JUDGE DUWAIK, RULER'S LEGAL ADVISER. JAAFAR ALSO SAID THAT HE HAD BEEN TOLD BY RULER OF SHARJAH THAT NIOC WANTED TO HAVE A JOINT MEETING WITH ALL THE PARTNERS IN HOUSTON. RULER HAD SUGGESTED THAT IT MIGHT BE BETTER TO TRY AND WORK THE ISSUE OUT BEFORE HAVING A JOINT MEETING. JAAFAR HAD AGREED STATING HE DID NOT THINK ANYTHING WOULD BE ACCOMPLISHED BY A JOINT MEETING SINCE SHAREHOLDERS POSITION ALREADY SET FORTH. JAAFAR SAID RULER OF SHARJAH HAD NOT DISMISSED ARBITRATION BUT CLEARLY WOULD PREFER TO AVOID IT IF POSSIBLE.

5. IN SUBSEQUENT LETTER TO RULER, CRESCENT HAD CONFIRMED TECHNICAL POINT THAT SIXTY-DAY DEADLINE FOR CHOICE OF SHARJAH ARBITRATOR WOULD BE COUNTED FROM MARCH 29 -- DATE OF LETTER'S DELIVERY TO RULER -- AND NOT FROM DATE OF LETTER.

6. COMMENT: APPRECIATE DEPARTMENT'S AND EMBASSY

TEHRAN'S WILLINGNESS APPROACH NIOC AGAIN ON THIS DISPUTE.
ACCORDING TO JAAFAR, MODIR AND HIS SUPERIOR, MEHRAN, HAVE
BEEN MOST REASONABLE OF NIOC EXECUTIVES ON THIS ISSUE.
NIOC LEGAL ADVISER, MOVAHED ON OTHER HAND, REGARDED BY
CRESCENT AS HAVING ADOPTED DETERMINED ADVERSARY POSITION.
DICKMAN

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM INDUSTRY, ARBITRATION, TAXES, FOREIGN INVESTMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 02 apr 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978ABUDH00891
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780143-0188
Format: TEL
From: ABU DHABI
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t197804102/aaaadinb.tel
Line Count: 122
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: d95635a6-c288-dd11-92da-001cc4696bcc
Office: ACTION NEA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 78 ABU DHABI 747, 78 STATE 76443, 78 TEHRAN 3024
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 21 jun 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2821649
Secure: OPEN
Status: NATIVE
Subject: TAX AND ROYALTY PROBLEM FOR CRESCENT PETROLEUM
TAGS: ENRG, EINV, TC, IR, CRESCENT PETROLEUM
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/d95635a6-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014